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September 15, 2005

BY E-MAIL

The Honorable Victor Marrero
United States District Court
Southern District of New York
40 Centre Street, Suite 414
New York, NY 10007

Re: Loral Space & Communications Ltd., et al.; Chap. 11 Lead Case Nos. 03-41710 (RDD) (Bankr. S.D.N.Y. 2003)/District Court Case No. 05-CV-7975(VM)

Dear Judge Marrero:

We represent the Debtor-Appellants Loral Space & Communications Ltd, et al. in the above referenced matter (the "Debtors"). We submit this letter in response to the letter dated September 14, 2005 from Mr. Phil Ivaldy (on behalf of the Loral Stockholders Protective Committee (the "LSPC")) requesting an "emergency conference call" with the Court. While we will of course make ourselves available for any conference call the Court may deem necessary, we believe that this appeal is not properly before the Court at this juncture for the reasons explained below and that no call is necessary or appropriate.

By way of background, the Debtors are in the satellite manufacturing and services business and employ over 1,500 individuals. They filed for relief under chapter 11 of the United States Bankruptcy Code on July 15, 2003. Mr. Ivaldy is appealing two August 1, 2005 Orders of Bankruptcy Judge Robert D. Drain. The Orders were entered following a comprehensive evidentiary hearing that spanned a total of seven days. In addition to the LSPC, other shareholders were represented by an official committee of equity holders appointed in the Debtors' chapter 11 cases (the "Equity Committee") represented by capable attorneys and financial advisers. The separate Orders confirmed the Debtors' plan of reorganization and denied a motion by the Equity Committee

seeking authority to file on behalf of the Debtors an action seeking to invalidate a guarantee issued by Loral Space & Communications Ltd. with respect to certain bond indebtedness. The Bankruptcy Court found that the Plan satisfied all of the requirements for confirmation set forth in the Bankruptcy Code. The Bankruptcy Court also found under well-established Second Circuit authority that there was no basis to authorize the Equity Committee to pursue the action to invalidate the guarantee, noting, among other things, that even in the unlikely event that the action were successful, there nevertheless would be no recovery for shareholders.

Although Mr. Ivaldy asserts that he filed the appeal one month ago, the first notice the Debtors received of this appeal was just last week, on September 6, 2005. Moreover, that notice came not from Mr. Ivaldy but rather from an electronic notification from the Bankruptcy Court indicating that a notice of appeal and designation of record were entered on that court's docket on that day. Pursuant to Rule 8006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Debtors have ten days from the date of service of such designation to file with the Bankruptcy Court their designation of additional items to be included in the record.

Notwithstanding that the Debtors have yet to be served with the designations by Mr. Ivaldy, the Debtors intend to file their designations with the Bankruptcy Court tomorrow, September 16, 2005. Pursuant to Rule 8007 of the Bankruptcy Rules, it is only after the record is complete that the appeal is to be forwarded to the District Court for docketing. As the time for the Debtors to submit their designations has yet to expire, we submit that the appeal was prematurely docketed in the District Court and is not yet appropriate for review or scheduling.

A second, but related, reason why we do not believe that this appeal is properly before this Court at this time is that the Debtors also intend to file in the Bankruptcy Court tomorrow a motion to strike several of the items included in Mr. Ivaldy's designation of the record on the grounds that, among other things, they were not part of the record upon which the Bankruptcy Court based its Orders that are the subject of the appeal. Although this Court has the authority to supplement the record it will consider on appeal, we submit that in the first instance it is the Bankruptcy Court – the court that conducted the hearing – that should determine which documents comprised the record below. See, e.g., In re Ames Dept. Stores, Inc., 320 B.R. 518, 520-521 (Bankr. S.D.N.Y. 2005). Because the disposition of that motion to strike will determine the contents of the record on appeal and because the record of the proceedings in the Bankruptcy Court to be forwarded to this Court will not be determined until that motion is resolved, pursuant to Bankruptcy Rule 8007 the appeal should not yet have been transmitted to this Court.

Mr. Ivaldy's claims that Space Systems/Loral ("SS/L"), one of the Debtors, will "run out of operating funds in October 2005" simply is erroneous. In addition, Mr. Ivaldy's claims of alleged lack of due process in the court below are incredible given the extraordinary lengths to which the Bankruptcy Court went to include the LSPC in the process. For example, the LSPC participated in extensive pre-hearing discovery, including receiving over 150 thousand pages of documents produced by the Debtors, serving numerous interrogatories and requests for admission and questioning witnesses at depositions. In addition, the LSPC fully participated in the confirmation hearing and examined all witnesses presented, notwithstanding the existence of the Equity Committee who shared many, if not all, of the LSPC's interests and who decided not to appeal the Orders. Moreover, Mr. Ivaldy's allegations as to the lack of investigation of Loral's assets are without basis.

Finally, we note that the Debtors currently anticipate that their chapter 11 plan will become effective within the next several weeks. Indeed, steps toward that end began soon after the Bankruptcy Court's August 1, 2005 order confirming the Debtors' plan of reorganization was entered and continue.

Although we do not believe a conference call with the Court is either necessary or appropriate we, of course, are available at the Court's convenience should the Court determine otherwise.

Respectfully,

Theodore E. Tsekerides

Theodore E. Tsekerides

cc: Mr. Phil Ivaldy (by e-mail)